IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	)	Chapter 11
	)	
LINDRAN PROPERTIES, LLC (SHORELINE)	)	Case No. 20-02834
	)	
Debtor.	)	Hon. Jack B. Schmetterer
	)	
	)	

PRE HOLDINGS 14, LLC JOINDER IN SUPPORT OF THE MOTION FOR ENTRY OF AN ORDER (A) APPROVING BID PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, AND ENCUMBRANCES, (B) APPROVING THE FORM AND MANNER OF NOTICE, (C) APPROVING NOTICE OF THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (D) SCHEDULING A SALE HEARING AND, IF NECESSARY, AN AUCTION, (E) APPROVING THE STALKING HORSE BID, AND (F) GRANTING RELATED RELIEF

PRE Holdings 14, LLC ("PRE"), by and through its undersigned counsel, hereby submits this joinder (the "Joinder") in support of the Debtor's motion for the entry of an order: (A) approving the bid procedures and bid protections in connection with the sale of substantially all of the Debtor's assets free and clear of all liens, claims, and encumbrances; (B) approving the form and manner of notice; (C) approving notice of the assumption and assignment of executory contracts and unexpired leases; (D) scheduling a sale hearing and, if necessary, an auction; (E) approving the stalking horse bid; and (F) granting related relief (the "Bid Procedures Motion," Docket No. 26). In support of the Joinder, PRE respectfully state as follows:

<u>Introduction</u>

Lindran Properties, LLC (Shoreline) (the "Debtor") owns a portfolio of affordable housing buildings located on the south side of Chicago (the "Property"). As detailed in the Declaration of Andrew Belew filed in support of this Chapter 11 case (the "Belew Declaration," Docket No. 21),

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the Property suffered from a long period of mismanagement and neglect and has fallen into a state of disrepair. *See, e.g.*, Belew Decl. ¶¶ 10-15. Many tenants have been forced to vacate the Property, which has become encumbered with building code violations, receivership certificates, claims for mechanics' liens and hundreds of thousands of dollars of delinquent real estate taxes. The Debtor has sought relief in bankruptcy to sell the Property to a new owner with the expertise and resources to rehabilitate the Property, and to distribute proceeds from the sale pursuant to the priority scheme set forth in the Bankruptcy Code. To that end, the Debtor's Bid Procedures Motion seeks authority to establish fair bid procedures for the sale of the Property to PRE as the Stalking Horse Bidder, subject to higher and better offers through a court-supervised auction process. The purpose of this Joinder is to provide the Court with some additional information regarding PRE and its affiliates, explain what PRE intends to do with the Property if it is the successful bidder, and demonstrate why the bid protections proposed by the Bid Procedures Motion are necessary and appropriate.

Background

PRE is an affiliate of Pangea Real Estate and Pangea Properties (collectively, "Pangea"), a private real estate investment trust (REIT) headquartered in Chicago that specializes in the acquisition, rehabilitation and management of affordable housing buildings in underserved communities in Chicago, Indianapolis and Baltimore. Since 2009, Pangea and its affiliates have invested over $500 million in affordable housing, primarily in Chicago, and currently own over 13,000 apartment units, with over 9,000 located on the south and west sides of Chicago. Pangea has over 500 employees, most of whom live in the same neighborhoods where Pangea owns and manages property. Pangea has established strong relationships with the City of Chicago, the Department of Buildings and several Aldermen in the communities in which it operates. Attached

hereto as **Exhibit A** is additional information regarding Pangea's background, examples of Pangea's other rehabilitation projects, and description Pangea's community outreach.

Pangea is the ideal candidate to acquire and rehabilitate the Property in a manner consistent with the Debtor's mission of providing affordable housing to the underserved communities in Chicago.

Pangea's Plans for the Property

Over the past several months, Pangea has engaged in extensive discussions with the Debtor, the Bond Trustee and the City of Chicago to develop a plan to acquire and rehabilitate the Property. In connection with these discussions, Pangea has performed substantial due diligence on the Property, including inspections of each building and review of all building code violations to prepare construction budgets for the significant renovations required to restore safe and affordable housing at the Property. Pangea plans to invest over $15 million to acquire and renovate the Property. Pangea intends to fund both the purchase price and construction costs with cash.

The Proposed Bid Protections are Necessary and Appropriate

As an incentive for Pangea to invest its time and resources in evaluating the potential acquisition and rehabilitation of this deeply distressed Property, the Debtor offered Pangea certain bid protections customary for a stalking horse bidder in a bankruptcy sale. Specifically, the Debtor offered Pangea a break-up fee of 3% of the purchase price and reimbursement of documented reasonable costs and expenses up to $100,000 (the "Bid Protections"). Pangea relied upon these Bid Protections when it decided to invest a significant amount of time and resources over several months in evaluating the potential acquisition of the Property. As a result of this investment, Pangea (through its affiliate, PRE) agreed to serve as the stalking horse bidder and entered into a binding Real Estate Purchase and Sale Agreement (the "PSA") with the Debtor for the sale of the

Property, which will serve as the initial bid to acquire the Property subject to higher and better offers through a bankruptcy auction process.

Courts have long recognized that bid protections for stalking horse bidders are "important tools to encourage bidding and to maximize the value of the debtor's assets." *See, e.g., In re Integrated Res., Inc.*, 147 B.R. 650, 659 (S.D.N.Y. 1992). Buyers of assets often require the seller to provide certain protections, including a break-up fee and expense reimbursement, to compensate them for lost opportunity costs and for the time, resources and effort expended in the event the buyer is outbid during the bankruptcy process and their purchase agreement is terminated. "Agreements to provide breakup fees or reimbursement of fees and expenses are meant to compensate the potential acquirer who serves as a catalyst or 'stalking horse' which attracts more favorable offers." *In re Marrose Corp.*, 1992 WL 33848, at *5 (Bankr. S.D.N.Y. Feb. 15, 1992). *See also In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1992) (bidding protections are "legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking").

The Bid Protections offered by the Debtor in this case are consistent with bid protections approved by this Court in similar situations. *See, e.g., In re Johnson Publishing Company, LLC*, 19-10236 (JBS) (Bankr. N.D. Ill., June 20, 2019) (Dkt. 77) (approving a break-up fee of 2.5% plus $75,000 expense reimbursement for purchase price of $1.8 million); *In re Quadrant 4 System Corp.*, 17-19689 (JBS) (Bankr. N.D. Ill., July 11, 2017 (Dkt. 53) (approving a break-up fee of 3% plus $50,000 expense reimbursement for purchase price of $2 million); *In re Fairview Ministries, Inc.*, Case No. 11-04386 (SPS) (Bankr. N.D. Ill. Mar. 17, 2011) (Dkt. 159) (approving a 2.9% break-up fee for purchase price of $8.75 million); *In re Brown's Chicken & Pasta, Inc.*, Case No. 09-49094 (JPC) (Bankr. N.D. Ill. Oct. 20, 2010) (Dkt. 162) (approving a 3.5% break-up fee); *In*

re SK Hand Tool Corp., Case No. 10-28882 (ERW) (Bankr. N.D. Ill. July 9, 2010) (Dkt. 53) (approving break-up fee of 4.4% plus $25,000 in expense reimbursement for purchase price of $3.25 million); *In re Hartmarx Corp.*, Case No. 09-02046 (BWB) (Bankr. N.D. Ill. June 2, 2009) (Dkt. 482) (approving a 3.1% break-up fee plus expense reimbursement of $2,000,000 for purchase price of $70.5 million); *In re Select Snacks, Inc.*, Case No. 07-18769 (PSH) (Bankr. N.D. Ill. Oct. 23, 2007) (Dkt. 93) (approving a 3.5% break-up fee for purchase price of $24.85 million); *In re Enesco*, Case No. 07-00565 (ABG) (Bankr. N.D. Ill. Jan 22, 2007) (Dkt. 74) (approving a break-up fee of 3%).

Conclusion

The Court should approve the Bid Procedures Motion and PRE as the stalking horse bidder for the sale of the Property subject to higher and better offers through a bankruptcy auction process proposed by the Debtor and supervised by this Court.

Dated: February 25, 2020

Respectfully submitted,

PRE HOLDINGS 14, LLC

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